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FORM 1-1-56

FOREIGN SERVICE DESPATCH

134
74.00(W)/7-1753
H780001-1238

FROM : AMEMBASSY, GUATEMALA
TO : THE DEPT. OF STATE, WASHINGTON.
REF : --

52
DESP. NO.

July 17, 1953

DATE JUL 18 1953

Action Assigned to

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SUBJECT: WEEHIA NO. 29 - ECONOMIC SECTION

Date of Action 7-22-53

SECTION II

Action Office Symbol 1730

Name of Officer

RECENT DEVELOPMENTS

June business reflected the mixed trends evident during the year which has passed since the Agrarian Reform Law was enacted and no general upturn in business was yet in sight. Hardware, machinery and building lines remained depressed but increases were noted in sales of soft lines, appliances and vehicles. The pre-inventory sales customary at this season boosted department store volume somewhat, and an increasing proportion of cash sales was attributed by some retailers to the expansion of Government bureaucracy. The demand for trucks and passenger cars was good and instances were reported of lost sales because of delay in filling distributors' orders in the United States. Bank clearings, though down seasonally, were about 6 percent larger than in June 1952.

Agrarian Reform

The first distribution of United Fruit Co. land expropriated in March 1953 (WEEHIA Nos. 10-11, Sec. I) was made on July 14 when some 5,000 acres of the Cia. Agrícola de Guatemala (CAG) farm "Los Angeles" in the Department of Escuintla were parceled out for the lifetime use of workers. An official delegation to the ceremony headed by Sr. Jaime DIAZ Rozzoto, Secretary General of the Presidency, included Sr. Carlos Manuel PELLEGER, the Communist Secretary for labor conflicts of the labor confederation CGTG. Sr. Pellecer made the principal speech of the day and pointed out that the event was significant because it involved one of the major foreign companies that had "robbed the country of its riches".

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ACTION COPY - DEPARTMENT OF STATE

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The press reported that beginning the week of July 13 the National Agrarian Department (DAN) would also give parcels of 10 manzanas (17 acres) of land expropriated from the Fruit Company in the Department of Escuintla to 204 unemployed urban workers who wished to become small farmers. This announcement followed recent threats by a committee of unemployed workers in Guatemala City that there would be hunger strikes and other demonstrations unless the Government solved the unemployment problem within 10 days. The Ministry of Economy is reportedly studying the matter and the offer of land may be a stop-gap measure.

The president of the Local Agrarian Committee of Siguatepeque, the Pacific Coast headquarters of the United Fruit Co., said there was sufficient expropriated company land to care for all of the unemployed workers in Guatemala, and representatives of the workers stated that this was only the first group of unemployed people who wanted land.

Commercial Policy

The press reported this week that on July 7 Guatemala denounced the 1938 trade agreement with France and that a new agreement more favorable to Guatemala would be negotiated. The present agreement is to terminate October 7, 1953.

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The French Commercial Attaché in Guatemala confirmed the report and said that although the agreement required 90 days notice prior to May 1 and he would protest that it could not be terminated before May 1, 1954, he presumed this would be useless. However, he will insist that the duties on commodities scheduled in the agreement be continued at the specified rates until October 7.

The Guatemalan explanation that the agreement was denounced because of the large unfavorable trade balance with France is only partially correct. An additional important reason is the loss of revenue which might be received as a result of the February 1953 increase in import duties if it were not for the fact that 33 of the tariff classifications are included in the agreement with France. Most-favored-nation clauses in agreements with other countries extend to them concessions made to France.

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Government Finances

A resolution of the Ministry of Finance effective June 29 but not promulgated until July 13 cancelled without payment \$1,148,246 of Government obligations which have been on the books since as far back as fiscal year 1928-29. This action followed the review of the public debt by the committee appointed in February 1952 (WEEK 4 No. 7, 1952) for that purpose because the amount of the floating debt admittedly was not known accurately.

Most of the items dropped from the books were small amounts up to a few thousand dollars owed to firms and individuals. Among the reasons given for the move were two which have evoked very comment: 1) some of the creditors had lost the documents necessary to re-substantiate their claims, and 2) some of the commercial creditors had already charged off the items as bad debts. Creditors who seek payment of these old items must now present new claims for re-validation.

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R. E. Schoenfeld
Rudolf E. Schoenfeld

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